Supreme Court, U.S.
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No. 02-39

IN THE

Supreme Court of the United States

MICREL, INC.,

Petitioner,

v.

LINEAR TECHNOLOGY CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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39 pp

COUNTERSTATEMENT OF THE QUESTION PRESENTED

This case is a perfect example of the vagaries of a "totality of the circumstances" test for the on sale bar, whether or not such a test is labeled a "commercial marketing" test, as Petitioner Micrel, Inc. would have it.

In holding that the on sale bar had been triggered, the District Court pointed to disparate activities in the United States and Europe, but did not identify any definite offer to sell the patented invention prior to the critical date. The Federal Circuit properly reversed the District Court because there was no clear and convincing evidence of a commercial offer for sale. The District Court also pointed to unsolicited purchase orders received by the patent owner from Europe as evidence of a completed sale but, as the Federal Circuit determined, the patent owner had communicated to the Europeans that the orders were not accepted. Accordingly, the Federal Circuit found no evidence that the patent owner had agreed to sell the patented invention before the critical date, and held that the rejected orders were not completed sales.

Absent clear and convincing evidence of a sale or definite offer for sale, as such would be understood in the commercial community under general principles of contract law, application of Micrel's proffered "commercial marketing" test to invalidate the patent-in-suit would essentially rewrite and eviscerate the "commercial offer for sale" requirement of the on sale bar mandated by this Court in *Pfaff v. Wells Electronics, Inc.*

Thus, the question properly presented is whether the Federal Circuit correctly followed the "on sale" language of Section 102(b), as construed by this Court, in holding that the on sale bar was not triggered by activities that did not constitute a sale or definite offer for sale under general principles of contract law.

CORPORATION DISCLOSURE STATEMENT

Linear Technology Corporation has no parent corporations, nor do any publicly-held companies own 10 percent or more of the stock of the company.

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STATEMENT OF THE CASE

I. Summary Of The Argument

Micrel's petition for a writ of certiorari should be denied. None of the specific requirements of this Court's Rule 10 is met here, nor are there any other compelling reasons why this Court should exercise its Certiorari review. As Micrel acknowledges, "there can never be a circuit conflict over the question presented." *Pet.* 2. Nor does Micrel contend that the Federal Circuit erred in applying the law, as it found it, to the facts of this case.

The sole ground for Micrel's Petition is that the Federal Circuit's decision in this case "so far departed from the accepted and usual course of judicial proceedings" by abrogating well-settled law as to the meaning of "on sale" in 35 U.S.C. § 102(b). Micrel argues that this Court should construe the on sale bar to omit any requirement for a definite offer for sale, as such would be understood in the commercial community under general principles of contract law. This position ignores the plain meaning of the statutory language, undermines the principles of this Court's decision in *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998), is contrary to established Federal Circuit law, and has no precedent in any other forum.

The Federal Circuit in this case applied its own well-decided precedent as confirmed by this Court: that only a definite, contractual offer raises the on-sale bar. *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001), *cert. denied*, 122 S. Ct. 1063 (2002). In deciding *Group One*, the Federal Circuit properly carried out its legislative mandate to bring clarity and uniformity to the Patent Laws of the United States. This Court has, indeed, already declined to review a challenge to *Group One*. Nothing has changed since *Group One*. There is no reason why this Court should grant review of a rule of law established prior to this case when it declined to review the same issue in the case that set the precedent.

The holding of the Federal Circuit in *Group One*, applied in this case, followed this Court's holding in *Pfaff*, which affirmed that the statutory language, "on sale," requires nothing less than a commercial offer for sale. Quoting from *Andrews v. Hovey*, 123 U.S. 267, 274 (1887), this Court observed that the purpose of the on-sale bar in the patent statutes was "to fix a period of limitation which should be certain." 525 U.S. at 65. This Court further held that statutory provisions, including the on-sale bar, "identify an interest in providing inventors with a definite standard for determining when a patent application must be filed." *Id.*

Group One, moreover, is only the most recent of an unbroken line of Federal Circuit cases holding that only a definite offer triggers the on-sale bar. As early as 1987, in *UMC Elecs. Co. v. United States*, 816 F.2d 647, 656 (Fed. Cir. 1987), the Federal Circuit held that only a "definite sale or offer to sell" raised the on-sale bar. *See also RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1062 (Fed. Cir. 1989) (holding that "where there is no sale, a definite offer to sell is an essential requirement of the on-sale bar"). The Federal Circuit has also repeatedly used contract law in evaluating conduct triggering the on sale bar. *See, e.g., Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 182 F.3d 888 (Fed. Cir. 1999) (holding that a sale in the "commercial law sense" is required to trigger the bar); *In re Caveney*, 761 F.2d 671, 676 (Fed. Cir. 1985) (holding that "a sale is a contract between parties to give and to pass rights of property for consideration.")

Moreover, the Federal Circuit authorities are in accord with the vast majority of prior Regional Circuit authorities. In any event, not even the *dicta* of those authorities support application of the on sale bar in the absence of clear and convincing evidence of an offer to sell.

All other considerations aside, even were this Court inclined to revisit the plain meaning of the statutory phrase, "on sale," the unusual circumstances of this case render it highly unsuitable

as a vehicle for such an exercise of this Court's supervisory power. While touting this case as an "ideal opportunity" to engraft its unbounded view of "commercial marketing" onto Section 102(b) (*Pet.* 1), Micrel fails to mention that the alleged statutory bar events of this case are unsolicited purchase orders submitted by companies ***in Europe.*** LTC's administrative acts ***rejecting*** those orders occurred in the United States, but these activities only disprove that any sale took place before the critical date in the United States. The on-sale bar of Section 102(b) invalidates a patent only where the invention was on sale ***in the United States*** more than one year prior to the filing date of the application. Section 102(b) has no application where the invention was sold or offered for sale outside of the United States. *Synair Corp. v. American Indus. Tire, Inc.*, 223 U.S.P.Q. 1021 (S.D. Tex. 1983).

Therefore, Micrel's Petition for a Writ of Certiorari should be denied, because Micrel has failed to provide any "compelling reasons" why its Petition meets the extraordinary standards of Supreme Court Rule 10.

II. Facts

This is an action for infringement of United States Patent No. 4,755,741 and Reexamination Certificates B1 4,755,741 and B2 4,755,741 (collectively "the '741 patent") entitled "Adaptive Transistor Drive Circuit," owned by Respondent Linear Technology Corporation ("LTC"). *Pet. App.* 29a. The '741 patent relates to an electronic integrated circuit called a "switching voltage regulator." *Id.* at 30a.

LTC uses the patented circuit (and methods) defined in the asserted claims of the '741 patent in an integrated circuit switching voltage regulator product called the LT1070. *Id.* Micrel is making and selling allegedly infringing products in direct competition with LTC. *Id.* LTC filed the application for the '741 patent on November 18, 1986. *Id.* at 29a. For the patent to be valid, the LT1070 must, *inter alia*, not have been "on sale" under Section 102(b) before November 18, 1985

(the "critical date"). In fact, the '741 patent is not invalid pursuant to Section 102(b), because the LT1070 was neither sold, nor offered for sale, prior to the critical date.

In concluding otherwise, the District Court was led astray by activities prior to the critical date that would not have reasonably been understood in the commercial community as a sale or a definite offer for sale. In addition, the District Court observed that a few sales for LT1070's were made to European distributors the day after the critical date; however, no offer or agreement to make these sales occurred before the critical date. Neither these nor any other LTC activities placed the '741 invention on sale prior to the critical date.

During the pertinent time period, LTC marketed and sold its products primarily through independent sales organizations and distributors. *Id.* at 32a. LTC employed six area sales managers to supervise its independent sales force. *Id.* In the United States, LTC's independent sales force took no part in the distribution of LTC's products, while in Europe the same companies served both as independent sales representatives and independent distributors. *Id.* Because the LT1070 had unique input and output characteristics, LTC's sales force could not offer the LT1070 for sale without detailed technical data and sample parts that they could only obtain from LTC. *Id.* at 69a.

In the months preceding the critical date, LTC prepared to introduce the LT1070, both in the United States and abroad. *Id.* at 36a. LTC provided its domestic sales representatives and salespeople employed by its European sales and distribution representatives with an overview of the LT1070 at an annual training conference in July of 1985, as part of a discussion of future, unreleased products. *Id.* LTC also provided a list of the LT1070's features and functions to one of its domestic sales representatives and asked the representative for advice on what price to charge for the LT1070. *Id.* at 44a. In October and November of 1985, LTC kept its United States and European sales force informed of the approaching release of the LT1070

in a newsletter and two telexes. *Id.* at 44a-46a. Also, in a telex dated November 6, 1985, LTC's Product Marketing Manager erroneously informed LTC's six sales managers, though not the independent sales force, that orders for the LT1070 could be booked. *Id.* at 47a-48a. The District Court found no evidence that the contents of the telex were ever communicated to anyone other than the six area sales managers, who were LTC employees.

In Europe, LTC displayed a poster of the LT1070 at a trade show on November 4-8, 1985. *Id.* at 53a. LTC discussed the LT1070 with two potential customers, also in Europe, immediately prior to the trade show. *Id.* at 53a-54a.

At no point prior to the critical date did LTC provide its independent sales force with pricing information for the LT1070, either in the United States or Europe. *Id.* at 49a. Nor did LTC distribute product samples or a technical specification for the LT1070 before the critical date, both of which were prerequisites for placing the LT1070 on sale. *Id.* at 35a, 39a. One independent sales organization referred to a "preliminary LT1070 spec" around October 1, 1985. *Id.* at 40a-42a. The document had not been provided by LTC, however, because the LT1070 datasheet had not even been created and sent to the publisher until after October 14, 1985. *Id.* at 35a. In fact, as stated by one of LTC's independent sales representatives, "we could not get our hands on any samples. We could not get a specification. We could not get pricing [for the LT1070]." *Appeal Appendix at* A3840:25-3841:1

At no time before the critical date did any of LTC's independent sales representatives show the LT1070 data sheet to customers, discuss the price of the LT1070 with customers, or show customers any samples of the LT1070. *See id.* at 49a, 35a, 39a.

As of 1985, LTC maintained a computerized list of products that could be sold. *See id.* at 55a. The LT1070 was placed on this list on the critical date, November 18, 1985. *Appeal Appendix*, A7, ¶13; A1845:8-25; A1877: 19-22; A2116:8-2120:6

LTC's order entry system will not and did not then accept orders for products that are not on the list of released products. *See Pet. App.* at 55a. Thus, prior to the critical date, LTC was unable to accept any orders for the LT1070.

Even though their sales personnel had been told that the LT1070 was not yet available, four of LTC's ***European*** independent distributors sent LTC stocking orders that included the LT1070 prior to the critical date. *Id.* at 57a-59a. LTC responded by faxing acknowledgements that the orders had been received. Next to the line items corresponding to the LT1070, LTC wrote "WILL ADVISE," "NEW PRODUCT, NOT RELEASED," and "NOT BOOKED." *Id.* at 20a. Not only was LTC unable to book orders for the LT1070, but LTC explicitly rejected the distributors' attempts to place orders before the critical date. *Id.* at 21a. No orders were received from the United States prior to the critical date. *Id.* at 57a-59a. The only activities that took place in the United States prior to the critical date, relating to the purchase orders from the European distributors, were the administrative tasks attendant to handling the purchase orders, which were treated as problem orders, and faxing the negative responses back to Europe. *Id.* at 71a.

LTC thus never offered the LT1070 for sale prior to the critical date, and first actually sold the LT1070, in Europe, by accepting its first, unsolicited purchase orders for the LT1070 on November 19, 1985, the day after the critical date. *Id.* at 59a-60a.

III. Procedural History

On May 9, 1994, LTC brought suit against Micrel for infringement of the '741 patent. Micrel moved for summary judgment of invalidity of the asserted claims, contending that LTC had offered the LT1070 for sale more than one year prior to the November 18, 1986 filing date of the application for the '741 patent. Neither LTC nor Micrel argued that the subject matter of the '741 patent was not "ready for patenting" prior to the critical date. On February 26, 1997, District Court Judge

Eugene F. Lynch denied Micrel's motion, and set the case for a separate early trial on the on-sale issue. The case was reassigned to Chief Judge Marilyn H. Patel upon Judge Lynch's retirement, and the on-sale issue was tried before Judge Patel in a bench trial held April 7 to 10, 1998.

On August 20, 1999 the District Court entered judgment in favor of Micrel, holding the asserted claims of the '741 patent invalid. The District Court based its judgment of invalidity upon its Findings of Fact and Conclusions of Law, entered August 19, 1999 (*Linear Tech. Corp. v. Micrel, Inc.*, 63 F. Supp. 2d 1103 (N.D. Cal. 1999)), that LTC had offered for sale and sold the LT1070 to several of its European distributors more than one year before the filing date of the '741 patent and that "substantial prefatory activity" occurred in the United States. *Pet. App.* 71a. In its holding, the District Court did not find or conclude that LTC had offered for sale or sold the LT1070 to any customer in the United States before the critical date.

The Federal Circuit reversed the District Court's decision, finding that none of LTC's activities prior to the critical date placed the LT1070 on sale. *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040 (Fed. Cir. 2001). The Federal Circuit found, first, that the communications between LTC and its sales force "show that the LTC sales force was gearing up to offer the LT1070 for sale — but they do not show that the sales force actually made any offers." *Pet. App.* 17a. The Federal Circuit found that in sending the "preliminary LT1070 spec" to customers, the independent sales organization did not "reveal the requisite intent to be bound, the sine qua non of an offer." *Id.* at 16a. The Federal Circuit also found that the "WILL ADVISE . . . NOT BOOKED" language of LTC's response to the unsolicited purchase orders unambiguously communicated that the orders were not accepted. *Id.* at 20a. Thus, LTC did not sell or offer to sell the LT1070 before the critical date.[1]

1. In reversing the District Court's invalidity holding, the Federal Circuit did not have to address whether the District Court's findings (Cont'd)

REASONS FOR DENYING THE WRIT

I. The Plain Meaning Of The Statutory On Sale Provision Requires, Absent A Sale, An Offer For Sale

In relevant part, 35 U.S.C. § 102(b) states:

> A person shall be entitled to a patent unless —
>
> > (b) the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States.

A statutory requirement limiting entitlement to a patent if an invention was "on sale" first appeared in the Patent Act of 1836.[2] It has long been established that, absent an actual sale, "on sale" also encompasses the act of offering something for sale. *See, e.g.*, *Wende v. Horine*, 225 F. 501, 505 (7th Cir. 1915) (holding that "[t]he statute does not require a 'sale,' but only a placing 'on sale'").

This is in accord with the plain English language meaning of the phrase, "on sale." Although today that phrase is commonly used to mean a bargain or discount opportunity, in 1836 "on sale" was commonly used synonymously with "for sale," to mean "to be bought or sold; offered to purchasers; in the market." *Webster's Revised Unabridged*

(Cont'd)

were clearly erroneous, because those findings did not show that any pre-critical date offer for sale had been made. Even under pre-*Group One dicta* that appeared in *RCA*, there is no definite offer for sale in view of the Federal Court's determination and the evidence before the District Court. In any event, as demonstrated below, the *dicta* of *RCA* has never been the law of the Federal Circuit or any other forum.

2. Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117; *see Pfaff*, 525 U.S. at 65.

Dictionary (1913); accord, Oxford *English Dictionary* 2624 (Compact Ed. 1971).[3]

In accord with this plain meaning of "on sale," and recognizing the importance of providing a "definite standard for determining when a patent application must be filed," this Court in *Pfaff* specifically held that, for an invention that is ready for patenting to be placed on sale, it "must be the subject of a commercial offer for sale." 525 U.S. at 65, 67.

Following *Pfaff*, and carrying out its statutory duty to provide clarity and uniformity to the Patent Law, the Federal Circuit in *Group One*, 254 F.3d at 1048, held that only an offer which "rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under [35 U.S.C.] § 102(b)."

In the *LTC v. Micrel* case now the subject of the pending Petition, the Federal Circuit properly applied the rule of *Group One* without modification, finding that LTC did not offer to sell the LT1070 prior to the critical date.[4]

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3. Illustrating this plain meaning, the Oxford *English Dictionary* marshals older examples of how these phrases were used, including:

> *The Times is on Sale for 3d.[*pence*] per copy at all Railway bookstalls in England and Wales.* (12/16/1901 *Times*)

4. Other Federal Circuit decisions in the wake of *Pfaff* have likewise applied its requirements of a commercial offer to invoke the on-sale bar. In *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1333 (Fed. Cir. 1998), the Federal Circuit recognized that *Pfaff* abrogated any reference to "the totality of the circumstances" and applied a straightforward contractual analysis to determine that the on-sale bar was invoked. The critical facts of that case involved a signed purchase agreement before the critical date. *To like effect, Netscape Communications Corp. v. Konrad*, 295 F.3d 1315 (Fed. Cir. 2002); *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 2002 U.S. App. LEXIS 1796 (Fed. Cir. Aug. 30, 2002). *See also, Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1254-55 (Fed. Cir. 2000) (noting that *Pfaff* applied the norms of traditional contract law as the basis for on-sale determinations under Section 102(b) and applied a similar contractual analysis to offers to sell for purposes of liability under § 271(a)).

Micrel now seeks to overturn the law as followed in *Pfaff*, *Group One*, and in this case, replacing it with a so-called "commercial marketing" test that requires a vague inquiry into the "totality of the circumstances," and a case-by-case balancing of the policies underlying the on-sale bar.

In an attempt to justify this result, Micrel argues that this so-called commercial marketing test was somehow the established law, from which *Group One* was an unjustified departure. To the contrary, however, Micrel's commercial marketing test alters the plain meaning of the statutory language, undermines the principles of this Court's decision in *Pfaff*, is contrary to established Federal Circuit law, and has no precedent in any other forum.

Micrel's attempts to invoke policy considerations to impose its commercial marketing test should be rejected. The oft-repeated policies said to underlie Section 102(b) are "excluding ideas that are in the public domain from patent protection and confining the duration of the monopoly to the statutory term." *Pfaff*, 525 U.S. at 64. The first policy protects the "public's right to retain knowledge already in the public domain." *Id.* at 65. The second policy prevents the patentee from using his patent to "gain a competitive advantage over others . . . [by] extend[ing] the period of his monopoly." This second policy applies even when there has been no public disclosure of the invention. *Metallizing Eng'g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2d Cir. 1946) (L. Hand, J.), *cert denied*, 328 U.S. 840 (1946) (holding that an inventor who sells his invention commercially "forfeits his right regardless of how little the public may have learned about the invention").

Of course, notwithstanding the expressed policies of Section 102(b), the plain language of the statute is controlling. *Pfaff*, 525 U.S. at 63, 66. These policies are subject, for example, to the one year "grace period" that the inventor is allowed to file the application, even after the sale or offer takes place. Thus, what appears for all intents and purposes to have been in the

public domain for one year can nevertheless be patented, because the plain language of the statute so provides. On the other side of the coin, a single, definite offer to sell the patented invention, even if not accepted, is enough to trigger the bar, if it falls outside the one-year grace period, even though it provides no competitive advantage or gain to the inventor whatsoever. This strict rule, in observance of the literal language of the statute, serves the overriding interest in providing inventors with a definite standard for determining when a patent application must be filed.

Therefore, regardless of any other policies that inform the statute, the interest of a definite standard dictates that activities that do not constitute a sale or offer for sale can not trigger the bar, no matter that such activities might advantage the inventor or suggest to the public that the idea is in the public domain.[5] (Just as even one sale or offer outside the grace period can invalidate the patent, no matter how commercially insignificant or hidden from the public). Micrel's policy arguments can not justify ignoring the plain meaning of "on sale" by "engrafting" (*see* 525 U.S. at 66) a vague test onto the on-sale determination.

For example, Micrel argues that, unless its commercial marketing test is made the law, a patentee could hold back on applying for a patent while engaging in various pre-offer activities such as market testing, testing consumer demand, and building customer demand. (*Pet.* 2). However, as has always been the case, and notwithstanding the policy interest in encouraging inventors to apply for patents, the overriding interest in a definite standard, and the plain language of Section 102(b), have always allowed inventors to engage in

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5. Of course, other statutory provisions may trigger a bar if the invention is, for example, publicized or publicly used. 35 U.S.C. §§ 102(a), (b). No such issue is presented here, however.

such activities, as long as they do not sell or offer for sale the subject matter of their inventions.[6]

Micrel paints an absurd, unrealistic scenario of human behavior in its prediction that legions of inventors will hang back from actually selling or offering to sell their inventions, while at the same time aggressively marketing those inventions in other ways, in order to toll the one-year grace period under Section 102(b). This sets causation on its head. The point of the one-year period of Section 102(b) is to allow the inventor time to apply for a patent after he or she decides to sell it or offer it for sale. Inventors do not decide when they will file an application, and then measure one year ***back*** from that date to decide when to sell or offer the invention. Rather, when and if they sell or offer their invention, they then measure ***forward*** one year to set in their calendar their patent application filing deadline.

II. The Federal Circuit's Holding In This Case Is Consistent With This Court's Decision In *Pfaff*

The Federal Circuit's holding in this case, which followed its holding in *Group One*, flows directly from this Court's *Pfaff* decision. Micrel attempts to dismiss *Pfaff* as "concern[ing] an entirely different issue," (*Pet.* 2), but in that case this Court emphasized that the plain meaning of the language of Section

6. Micrel also speculates that an inventor could freely solicit orders for customers, and stockpile those orders, waiting for some propitious moment before accepting the orders. *Pet.* 2. But the Federal Circuit in *Group One* specifically accounted for that possibility, noting that a customer's offer to buy, in response to advertisements or other solicitations of such offers by the patentee, could constitute an offer under Section 102(b). 254 F.3d at 1041. The Federal Circuit in this case concluded that the isolated unsolicited purchase orders that LTC received from its European customers did not place the '741 invention on sale. This case is not the proper vehicle for determining under what circumstances actively solicited offers to buy might trigger the on-sale bar. In due course the Federal Circuit will have the opportunity to specifically apply the holding of *Group One* to that issue, and then it will be ripe for review by this Court, if it so decides.

102(b) controlled above all else. The principal issue in *Pfaff* was definiteness (i.e., construing the language of section 102(b) to provide a definite standard for determining when a patent application must be filed). This issue was discussed primarily, although not exclusively, in the context of a debate about the proper construction of the term "invention" as it is used in Section 102(b) ("A person shall be entitled to a patent unless ... ***the invention*** was . . . on sale in this country, more than one year prior to the date of the application. . . ."). However, this Court went on to define "on sale" in the statute as requiring a "commercial offer for sale."

As to the meaning of "invention," this Court rejected the Federal Circuit's interpretation of "invention" as requiring the subject matter of the invention to be "substantially completed," holding that this construction "***finds no support in the text of the statute***." 525 U.S. at 66 (emphasis added). This Court also rejected the prior "reduction to practice" construction that had been used by the Regional Circuit Courts and thrown out by the Federal Circuit. Although the reduction to practice test had the advantage of certainty over the Federal Circuit's "substantially completed" test, this Court nevertheless found "***no basis in the text of § 102(b)***" for this test, and was "persuaded that this ***nontextual*** argument should be rejected." 525 U.S. at 63 (emphasis added).

At the same time that this Court restored the "primary meaning of the word 'invention' in the Patent Act," 525 U.S. at 60, it emphasized that the one-year grace period of Section 102(b) should be "'a period of limitation which should be ***certain***. . . .'" 525 U.S. at 65 (*quoting Andrews v. Hovey*, 123 U.S. 267, 274 (1887) (emphasis added)). This Court further explained that Section 102(b) "identif[ied] an interest in providing inventors with a ***definite standard*** for determining when a patent application must be filed." *Id.* (emphasis added). Accordingly, this Court rejected the Federal Circuit's "substantially completed" test for the additional reason that it "undermine[d] the interest in certainty." 525 U.S. at 66.

This Court went on to criticize a nonstatutory engraftment that the Federal Circuit had adopted as part of the on sale analysis — a "multifactor, 'totality of the circumstances' test to determine the trigger for the on-sale bar." This Court cited with approval descriptions of this test as "unnecessarily vague." 525 U.S. at 66 n.11. Accordingly, this Court swept aside this useless and vague dicta (the reinstatement of which Micrel now urges), and concluded its Opinion with a return to the plain language of the statute (525 U.S. at 67):

> We conclude, therefore, that the on-sale bar applies when two conditions are satisfied before the critical date.
>
> First, the product must be the subject of a commercial offer for sale. . . .
>
> Second, the invention must be ready for patenting. . . .

Contrary to Micrel's assertion (*Pet.* 7), the above Section 102(b) requirement of a commercial offer for sale is not *dictum*. Nor did the Federal Circuit panel in this case "express[] doubts" that this requirement was binding on the Federal Circuit. *Pet.* at 8. In *Pfaff*, this Court once and for all defined a definite standard for "on sale" in full, in accord with the plain meaning of Section 102(b), and applied that standard in reaching its holding. *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 67 (1996) (holding that "[a]s a general rule, the principle of *stare decisis* directs us to adhere not only to the holdings of our prior cases, but also to their *explications of the governing rules of law*") (emphasis added).

Micrel asserts that when this Court used the phrase "commercial offer for sale" to define the test for the on-sale bar, this Court really meant "commercial marketing." *Pet.* 19. Based on this interpretation, Micrel argues that the *Pfaff* decision compels a conclusion that the on-sale bar is triggered generally by marketing activities directed at selling a product for commercial purposes, regardless of whether those activities

could reasonably be understood to constitute an actual offer for sale in the commercial community. Micrel thus in effect argues that this Court, despite its expressed intent otherwise, promulgated a vague, undefined standard, rather than a "definite standard" that "finds . . . support in the text of the statute." 525 U.S. at 65-66. Neither the holding in *Pfaff* nor its underlying reasoning support this vague, nonstatutory "commercial marketing" standard.

This Court's stated rule explicitly requires an offer for sale that would be recognized as such under contract law: "First, the product must be the subject of a ***commercial offer for sale***." 525 U.S. at 67 (emphasis added). The subsequent language relied on by Micrel, "[a]n inventor can both understand and control the timing of the first commercial marketing of his invention," does not take back the requirement for a "commercial offer for sale," but rather refers to the ***additional*** requirement that, to constitute an invalidating bar, a sale or offer for sale must be primarily for commercial rather than experimental purposes.[7]

Confirming that this Court intended *Pfaff* to require a specific, commercial offer for sale to trigger the bar, rather than allowing the bar to be triggered by any type of commercial marketing activity, this Court did ***not*** rely on Pfaff's presentation of the sketches to Texas Instruments, Pfaff's initiation of the manufacturing process, or even Texas Instruments' ***offer to buy*** the sockets as facts sufficient to raise the bar. Instead, this Court found that Pfaff placed the sockets on sale by accepting the purchase order. 525 U.S. at 58, 67.[8]

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7. Although the so-called experimental use doctrine is non-statutory, this Court in *Pfaff* specifically ratified that this qualification on the plain language of the statute was appropriate, because it was well established, served the policies of the statute, and had not led to uncertainty or unpredictability in is application. 525 U.S. at 67. This case raises no issues concerning experimental use.

8. Two past decisions of this Court further establish that a definite offer to sell is required to raise the on-sale bar: *Consolidated Fruit-Jar*

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Recognizing this Court's insistence that the Section 102(b) standard provide certainty to the inventor, Micrel asserts that the analysis of what constitutes an "offer" under commercial law is just as uncertain in its application as the "totality of the circumstances" test. *Pet.* 21. Not so. As the Federal Circuit noted in *Group One* (254 F.3d at 1047):

> Courts are quite accustomed to and comfortable with determining whether a particular communication ... amounts to an offer in the contract sense, and that type of determination is well established in law.

In contrast, neither Micrel's petition nor any of the *dicta* in cases Micrel cites in support of its "commercial marketing" standard provides any explanation of what level of marketing activity should trigger the on-sale bar. To the contrary, as stated in *Group One*, that purported standard "open[s] up a vast sea of uncertainty." *Id.* Under Micrel's standard, almost any internal or external communication that relates to introduction of a future product to the market, any preparation for such an introduction, and any information that passes to the public about a future product, none of which amounts to any type of offer to sell the product, would arguably constitute commercial marketing triggering the on-sale bar. Such an open-ended standard would vitiate the interest in certainty that this Court emphasized in *Pfaff*.

The difference between these two standards is critical. A contractual analysis requires mapping the facts of a particular case against the legal standard for what constitutes an offer, which are uniform and clearly defined. *Group One*, 254 F.3d at

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Co. v. Wright, 94 U.S. 92, 94 (1876) (holding that an inventor will trigger the on sale bar "if he constructs [the invention] and *vends it to others* to use" (emphasis added)); *Pennock v. Dialogue*, 27 U.S. 1, 23 (1829) (holding that an inventor will trigger the on-sale bar "if he suffer the thing invented to go into public use, or to be *publicly sold for use*" (emphasis added)).

1047. As this Court pointed out, Courts have little trouble conducting factual analysis under such doctrines as experimental use under Section 102(b). 525 U.S. at 67 ("The experimental use doctrine . . . has not generated concerns about indefiniteness"). In contrast, the "totality of the circumstances" test required a vague weighing of facts against the ***policies*** of the on-sale bar, not against a legal standard, with no guidance as to what level of conduct raises the bar.

Micrel also argues that the Federal Circuit's holding in *Group One* is somehow "irreconcilable" with *Pfaff* because the "ready for patenting" test will result in an earlier starting date for the one-year grace period than did the overruled "substantially completed" test. Micrel gleans from this a goal of this Court to accelerate that starting date as much as possible, which goal is supposedly not served unless Micrel's "commercial marketing" test is also implemented. *Pet.* 20. This ignores the explicit reasoning set down at length in *Pfaff*. In overturning the "substantially completed" standard, the Court cited two policy goals: (i) follow the "primary meaning" of the actual text of the statute; and (ii) provide a "definite standard for determining when a patent application must be filed." 525 U.S. at 60, 65. Neither of these policies is served by Micrel's commercial marketing test.[9]

In sum, this Court has never held or suggested that commercial marketing activities alone may trigger the on-sale bar. Rather, *Pfaff's* explicit requirement under Section 102(b) of a "commercial offer for sale" directly supports the definite requirement set down by the Federal Circuit in *Group One*, and applied in this case, for a commercial offer for sale determined under general contract law principles.

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9. Micrel also argues that the holding of *Pfaff* as construed by the Federal Circuit will in effect eliminate any practical distinction between a "sale" and an "offer for sale," there being only a "day or two" between the formal offer and acceptance. *Pet.* 23, n.4. If true, this would be good news for the economy. Alas, however, not all offers are accepted. To salespersons and others laboring in the marketplace, as well as to Courts applying the law of Section 102(b), the distinction between an offer and a sale is real and substantial.

III. The Holding In This Case Comports With Past Federal Circuit Decisions

Micrel insists that the Federal Circuit's definition of "on sale" in *Group One* was a departure from its prior decisions. *Pet.* 12. Examination of the specific facts and ultimate holdings of those prior decisions demonstrates otherwise. In requiring a definite offer for sale, the ruling in this case was not only in accord with *Group One* and *Pfaff*, but also with the prior Federal Circuit decisions that dealt with the meaning of "on sale."

Early in its existence, the Federal Circuit affirmed lower court decisions granting summary judgment of patent invalidity pursuant to the on-sale bar of Section 102(b). In *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144 (Fed. Cir. 1983), product samples, produced by the method claimed in the disputed patent, were offered for sale prior to the critical date. 714 F.2d at 1147-48. The submission of samples to prospective customers cited by Micrel as indicating an ***absence*** of a technical offer for sale (*Pet.* 12) was actually used by the Court as evidence of the ***presence*** of a technical offer for sale: "[S]ample [products] were produced by hand, following the steps of the method, and . . . those hand-produced [products] were ***offered for sale*** before [the critical date]." 714 F.2d at 1148 (emphasis added).[10]

In *Barmag Barmer Maschinenfabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831 (Fed. Cir. 1984), the patentee had sent to a potential customer a detailed quotation — including agreements on payment, timetables for delivery, detailed specifications on the machine, estimated usage of spare parts, and life expectancy for various parts — prior to the critical date. 731 F.2d at 835. The customer who received this quotation had perceived of it as a sales offer that would be binding upon its acceptance. *Id.* The Court found as an undisputed fact that the detailed quotation "was an *offer to sell* made by [the patentee]". *Id.* at 837.

10. The predecessor to the Federal Circuit likewise found in *In re Theis* that the ***contractual sale*** by an applicant for a patent of the subject matter of the patent application precluded under Section 102(b) the applicant's right to a patent. 610 F.2d 786, 791 (C.C.P.A. 1979).

In *UMC*, the Federal Circuit also required a "a ***definite*** sale or offer to sell more than one year before the application for the subject patent" in order to raise the on sale bar. 816 F.2d at 656 (emphasis added). The patentee in *UMC*, in a letter to the United States government, offered to sell an accelerometer embodying the patented invention more than one year before filing for a patent. *Id.* at 657. The letter contained price and quantity terms. *Id.* Based on the letter, the Court found that the patentee had "***made a definite offer to sell*** its later patented UMC-B accelerometer to the Navy more than one year prior to the date of the application for the patent in suit." *Id.* (emphasis added).

Later Federal Circuit cases, including *RCA*, upheld the requirement of a "definite offer to sell." 887 F.2d at 1062. In *RCA*, the patentee submitted a proposal to furnish alphanumeric and symbol generation equipment, embodying the patented invention, to the FAA. *Id.* at 1059. The Court found that the FAA "could have 'accepted' RCA's proposal which is the characteristic of a definite formal offer." *Id.* at 1062. As a result, there was a definite offer to sell the invention, and the patent was invalid. *Id.*[11]

IV. Pre-Federal Circuit Decisions Of Other Federal Courts Do Not Support Micrel's "Commercial Marketing" Standard

Contrary to Micrel's assertions, no settled "commercial marketing" doctrine existed in the Regional Circuits prior to the creation of the Federal Circuit.[12] Thus, even to the extent

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11. That the court also stated "this requirement [of a definite offer] *may* be met by a patentee's commercial activity which does not rise to the level of a formal offer under contract law principles" is irrelevant to the holding, and therefore non-binding *dictum*. 887 F.2d at 1062.

12. Nor, as Micrel acknowledges (*Pet.* 2), is there any realistic possibility here that a conflict between different Courts of Appeals could arise, so as to provide a basis for this Court granting a Writ of Certiorari. What constitutes an offer for sale under 35 U.S.C. § 102(b), in the context

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that an articulation of a rule used by some of the Regional Circuits prior to the creation of the Federal Circuit has any persuasive value, the holding of the Federal Circuit in this case does not show any significant departure from the actual holdings of the decided cases.

For example, Micrel cites *Plimpton v. Winslow*, 14 F. 919 (Cir. Ct. D. Mass. 1883) as a supposedly pioneering case supporting a "commercial marketing" test. *Pet.* 11. That case is nothing of the sort. In concluding that the invention was placed "on sale," as an ***evidentiary*** matter, the Court in *Plimpton* relied on oral testimony corroborated by a price list. Then, as now, a wide variety of facts and circumstances can be used to prove that an invention was sold or offered for sale. But that does not undercut the need to prove the ultimate fact: that, absent a sale, a definite offer was made prior to the critical date.

Indeed, no Regional Circuit case cited by Micrel used the phrase "commercial marketing" to characterize the level of conduct required to trigger the on-sale bar. The cases that Micrel cites, rather than illustrating a coherent "commercial marketing" doctrine, actually demonstrate that, prior to the creation of the Federal Circuit, aside from *dicta*, the plain meaning of "on sale" was the operative standard applied by the Courts — absent a sale, a definite, contractual offer for sale was required.

Some of the regional Circuit Courts even added additional, non-statutory requirements to the "on sale" analysis. The First and Second Circuits implemented the so-called "on hand"

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of a patent infringement suit, is a question of patent law over which the Federal Circuit has exclusive jurisdiction. *See* 28 U.S.C. § 1295(a)(1); *Holmes Group v. Vornado Air Circulation Sys.*, 122 S. Ct. 1889, 1893 (2002). In *Holmes Group*, this Court held that a patent counterclaim does not invoke Section 1295, giving rise to the possibility that a Regional Circuit Court may in some cases have jurisdiction over a question of patent law. 122 S. Ct. at 1893. However, no such circuit conflict currently exists, and it would be mere speculation as to whether such a conflict might ever arise.

doctrine, requiring that, in addition to a contractual sale or offer for sale, that an invention be "on hand ready to be delivered to any purchaser" in order to fall under Section 102(b). *Burke Elec. Co. v. Indep. Pneumatic Tool Co.*, 234 F. 93 (2d Cir. 1916). Though the subject of criticism, the test continued to be used by some Courts until just before the creation of the Federal Circuit. *See, e.g., Forbro Design Corp. v. Raytheon Co.*, 390 F. Supp. 794 (D. Mass. 1975).

The Eighth Circuit articulated a rule in accord with the plain meaning of the statute, grounded on general contract law, requiring that "(1) the patentee must have had a present intent to sell, and (2) that intent must have been communicated to a prospective purchaser for the purpose of eliciting a sale. . . ." *Bergstrom v. Sears, Roebuck & Co.*, 599 F.2d 62, 65 (8th Cir. 1979). The *Bergstrom* test, unlike the "on hand" doctrine, did not require that the product be ready for delivery in order to be on sale.

Other circuits, most notably the Seventh Circuit, adopted what appeared to be a totality of the circumstances, policy-focused test, the articulation of which would no longer pass muster in light of this Court's requirement in *Pfaff* of a definite standard for determining whether an invention was placed on sale, *supra*, pp. 9, 13. Under the Seventh Circuit test, any "activity by the inventor or his company in attempting to sell the patented idea" was said to place the product on sale under Section 102(b), provided that such activities were "found commercially to exploit an invention prior to the critical date." *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d 1135, 1139-40 (7th Cir. 1975) (describing *Amphenol Corp. v. Gen. Time Corp.*, 397 F.2d 431, 433 (7th Cir. 1968)). The Ninth Circuit adopted the *Amphenol* test in *Robbins Co. v. Lawrence Mfg. Co.*, 482 F.2d 426, 431 (9th Cir. 1973). A leading District Court case using this rule is *Philco Corp. v. Admiral Corp.*, 199 F. Supp. 797, 817 (D. Del. 1961) (holding that "[t]he words 'on sale' themselves imply that the intent of the inventor is the critical factor. It is a question of fact to be determined upon all the evidence and in light of all the circumstances of the case.").

In actual application, however, these Regional Circuit cases, cited by Micrel, are not *contra* to the holdings of *Group One* or *Pfaff*, and do not support Micrel's assertion that conduct falling short of an actual "offer for sale" can place an invention on sale under Section 102(b). In fact, the cases cited for the most part do not even consider what level of conduct rises to the level of an "offer for sale" under Section 102(b), instead focusing on what level of conduct qualifies as "public use," or what kinds of activities fall under the experimental use exception to Section 102(b).[13] Also, those cases considering what conduct places an invention "on sale" generally find either a completed sale or a definite contractual offer for sale, and thus do not support Micrel's "commercial marketing" standard.

Turning first to the Seventh Circuit, in *George R. Churchill Co. v. Am. Buff Co.*, 365 F.2d 129, 133-34 (7th Cir. 1966), the Seventh Circuit decided whether the patentee's "distribution of more than 200 of the [patented invention] to various jobbers and customers" prior to the critical date was an experimental use of the invention, and thus not barred under Section 102(b) even if there were a public use of the invention. In support of its holding that the public use was "commercially-tinged," the Court found that the salespeople, who distributed the product to the customers, extolled its virtues, and quoted prices to the customers, had placed the product on sale. *Id.* at 134.

The holding in *Churchill* does not support Micrel's "commercial marketing" standard for three reasons. First, the patent owner actually ***sold*** its invention by providing it to customers with no restrictions attached. Thus, there was no need

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13. As discussed *supra*, the experimental use doctrine is a non-statutory, additional step in the Section 102(b) analysis, that only comes into play once it has been determined that a sale or offer for sale has actually taken place. Even if the subject matter of the invention has been the subject of a contractual sale or offer for sale, an inventor may avoid the statutory bar if the sale or offer was primarily for experimental purposes. This Court specifically approved this gloss on the Section 102(b) analysis in *Pfaff*.

for the Court to find an offer for sale in order to invalidate the patent under Section 102(b). Second, the activities in *Churchill* constituted an offer for sale under the Uniform Commercial Code. The Court did not hold one way or the other whether there was a contractual offer for sale, but rather concluded without analysis that the invention was on sale. Third, the Court was not even directly concerned with whether the on-sale bar applied — rather, the Court used its finding that the patented device was on sale in order to support its conclusion that the public use of the device prior to the critical date was not experimental in nature. As the Court stated, "[t]he use made of the [invention] by plaintiff's distributors at its solicitation smacks more of a testing of the market for product acceptance rather than testing of the [invention] in an experimental use." *Id.*

Likewise, in *Amphenol Corp. v. Gen. Time Corp.*, 397 F.2d 431 (7th Cir. 1968), the patentee actually completed a sale of the patented device prior to the critical date. "Cadillac ***ordered***, at $10 each, ten clocks with two new features (one was the [invention]) which were made ***and delivered*** in October 1960." *Id.* at 435 (emphasis added). The Court did not confront whether "commercial marketing," by itself, triggers the bar. The same is true of *Am. Can Co. v. Crown Cork & Seal Co.*, 693 F.2d 653 (7th Cir. 1982). Quoting in full the sentence that Micrel uses selectively in its argument (*id.* at 656):

> In summary, American ***sent Gillette thousands of the containers***; quoted prices; ***agreed on quantity and sizes***; installed machinery to manufacture the cans; . . . commissioned an outside consumer survey; calculated its rate of return; obtained detailed specifications from Gillette even as to packing; and announced its new can in its annual report. (Emphasis added)

The patent owner, American, thus both actually sold and offered to sell the invention prior to the critical date. The Court did not

need to, and did not reach the question of whether "commercial marketing" triggers the on-sale bar.

In *Red Cross Mfg.*, the Seventh Circuit affirmed the lower Court's conclusion that the invention had been "on sale" prior to the critical date. 525 F.2d at 1139. Although a formal sales contract was not completed by the purchaser until five days after the critical date (525 F.2d at 1140-41), it was implicit, based on the prior relationship between the parties and extensive prior sales, that the purchaser would purchase the product on an exclusive basis. *Id.* at 1138. Given this course of dealing, the patentee's actions leading up to the formal contract amounted to an offer to sell: The product was demonstrated by the patentee for the purpose of familiarizing the purchaser's field representatives with the "new product" just eight days before the purchaser generated the formal contract, and the following day, a tool cost estimate sheet and estimated sales projections were submitted by the patentee to the purchaser. *Id.* at 1140-41.

Nor do the cited cases from other Circuit Courts support a "commercial marketing" standard. In *Minn. Mining & Mfg. Co. v. Kent Indus.*, 409 F.2d 99 (6th Cir. 1969) the Court explicitly found that the patentee engaged in a "substantial sales program that included public displays and ***offers for sale*** of Trimite cloth in conjunction with the patented cement," thus raising both the public use and on-sale bars. *Id.* at 100 (emphasis added). By finding an actual offer for sale, the Court had no need to consider whether marketing alone triggers the bar.

In *Strong v. General Electric Co.*, 434 F.2d 1042 (5th Cir. 1970), in a *per curium* opinion, the Court found that the licensee of the patent in question actually sold the patented invention to a customer before the critical date. *Id.* at 1044. The language cited by Micrel in its petition, describing the delivery of samples, actually appears in the Court's discussion of public use and thus lends no support to Micrel's assertion that distributing samples qualifies as an offer to sell. *Id.*

Nor do either of the Ninth Circuit cases cited by Micrel support its position. In *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1291-92 (9th Cir. 1984), the Court found that a patentee who had "sold one gross of gloves and had taken an order for seventy-two gross" before the critical date had placed the patented gloves on sale under Section 102(b). The Court rejected the assertion that this completed sale was an "experimental use," finding instead that the transaction "was a commercial sale." *Id.* at 1292. Similarly, in *Robbins Co. v. Lawrence Mfg. Co.*, 482 F.2d 426, 429 (9th Cir. 1973), the Ninth Circuit found that the patentee "competitively sought and obtained a 'time of the essence' contract for 50 cutters, had them manufactured and delivered to it, sold and received payment for them, and the customer received, successfully used, and accepted the equipment." Given the completed sale, the Court had no need to decide whether marketing alone would raise the bar.

The Second Circuit's decision in *Timely Prods. Corp. v. Arron*, 523 F.2d 288 (2d Cir. 1975), focused on the discredited "on hand" requirement of earlier First and Second Circuit cases, *supra*, pp. 20-21. In overturning the requirement that a patented article be ready to deliver to a purchaser in order to be "on sale," the Court did not consider what would constitute a "solicitation of an order" for purposes of triggering the bar. The patentee in *Timely Products* had taken an order for the product from a distributor who had in turn publicly advertised the product prior to the critical date. The Court determined that "at the time [the patentee] took the order from [the distributor], the [product] offered had been made and successfully tested." *Id.* at 302. That the patentee "took the order" indicates that the Court believed an offer for sale had been made and accepted.[14]

Nor do the District Court decisions relied on by Micrel support its vague "commercial marketing" standard. The

14. Despite Micrel's statement that the Federal Circuit's decision below resuscitates the "on hand" doctrine (*Pet.* 26 n.5), the decision here did not turn on the availability, or lack thereof, of LTC's product for delivery to a purchaser.

holdings of these decisions also hinge on the presence of an actual sale or offer. In *Philco Corp. v. Admiral Corp.*, 199 F. Supp. 797 (D. Del. 1961), documents known as "releases" were accepted by the patentee prior to the critical date. The releases indicated the quantities of product that the purchaser wanted delivered when the product became available. Although the releases included only an estimated price range for the product, the *Philco* Court treated the releases effectively as being equivalent to definite purchase contracts, in part because of the close relationship and prior history of transactions between the parties.[15] *Id.* at 814-15.

In *Carborundum Co. v. Combustion Eng'g, Inc.*, 505 F. Supp. 1011 (D. Del. 1981), sample products were manufactured by the patentee, distributed to salesmen and used by the salesmen to solicit orders. The Court in *Carborundum* found that the product was "on sale" for purposes of Section 102(b) prior to the critical date, because the solicitation activity resulted in a definite sale of the product prior to this date. The sale in this case was evidenced by issuance of a written purchase order by the patentee. *Id.* at 1024.

As noted above, Micrel exploits occasional confusion in the published decisions in which Courts do not clearly separate the discussion of the "on sale" requirements with that for "public use." For example, in *L.F. Strassheim Co. v. Gold Medal Folding Furniture Co.*, No. 64-C-74, 1971 U.S. Dist. LEXIS 11001 (E.D. Wis. Nov. 1, 1971), the Court noted that "[i]f an article is put on sale or offered for sale it is in public use within the meaning of the statute." *Id.* at *7. The "advertising campaign" cited by Micrel as triggering the on-sale bar in this case (*Pet.* 16), was in

15. Micrel misrepresents the *Philco* court's conclusion regarding the "intent of the inventor." *Pet.* 15. It was the intent of the patentee "to sell" the product that was at issue in this analysis, not the intent to put the patented product to competitive commercial use. The patentee in *Philco* clearly intended to sell its product prior to the critical date, whereas here the record shows that, by refusing to accept the European orders, LTC intended ***not*** to sell its product prior to the critical date.

fact used by the Court to find that "the patent was invalid by reason of the statutory bar of prior public use." *Id.* at *8. The Seventh Circuit, in affirming this part of the decision, agreed that the patent was invalid under Section 102(b) not only because the invention was in public use, but also because "[t]he evidence adduced at the two trials establishes beyond any question that defendant was ***selling*** [the patented invention] prior to [the critical date]." *L.F. Strassheim Co. v. Gold Medal Folding Furniture Co.*, 477 F.2d 818, 820 (7th Cir. 1973) (emphasis added). Likewise, in *Kalvar Corp. v. Xidex Corp.*, 384 F. Supp. 1126 (N.D. Cal. 1973), the Court found that "[t]he evidence conclusively establishes that, prior to the critical date, [the patented product] was sold and distributed. . . ." *Id.* at 1129. While the Court indicated that some of the patentee's activities fell under the "public use" bar, the definite sale of the product would have been sufficient to invalidate the patent even under the *Group One* on-sale standard.

The jury instructions reviewed by the Federal Circuit in *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613 (Fed. Cir. 1985) and cited by Micrel in support of its "commercial marketing" standard likewise clouded the distinction between "on sale" and "public use" under Section 102(b). The Federal Circuit's concern in reviewing the District Court's decision, however, related not to the instructions' treatment of the patentee's commercial activities, but rather to their requirement that offers of sale must involve "functional machines and processes." *Id.* at 622-23.

The Court in *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, Nos. 91-48/91-515-SLR, 1994 U.S. Dist. LEXIS 21537 (D. Del. Nov. 10, 1994), while not finding an actual sale of the patented product, concluded that the patentee's presentation to a potential customer at a technical meeting prior to the critical date was a "definite offer to sell." *Id.* at *95. In *Helifix Ltd. v. Blok-Lok, Ltd.*, 26 F. Supp. 2d 294, 302 (D. Mass. 1998), the Court correctly noted that the definition of "on-sale" involves either "evidence of an actual sale or evidence that the patentee

offered the product for sale." *Id.* at 301. The Court further found that a sales brochure, distributed and displayed at a trade show more than a year prior to the critical date, "if not an offer in itself, provides very strong circumstantial evidence that the [patented] method was being made available for sale." *Id.* at 302. The Federal Circuit, in vacating the District Court's grant of summary judgment of patent invalidity, observed that the on sale evidence was in "equipoise," thus indicating that distribution of the brochure "for commercial purposes" and "to interest potential customers in purchasing" did not resolve the issue of whether a commercial offer for sale under *Pfaff* had been made. *Helifix Ltd. v. Blok-Lok, Ltd.*, 208 F.3d 1339, 1351-52 (Fed. Cir. 2000).

Micrel also mischaracterizes the Manual of Patent Examining Procedure ("MPEP") in an attempt to support its "commercial marketing" test. *Pet.* 11-12. The sections of the MPEP cited by Micrel for the proposition that "commercial exploitation" gives rise to the on-sale bar are instead related to the ***experimental use*** doctrine, *supra*, pp. 15, 22. "The basic test is that experimentation must be the primary purpose and any commercial exploitation must be incidental." MPEP § 2133.03(e) (2001). The MPEP includes an entirely separate section describing the "on sale" component of Section 102(b): "An impermissible sale has occurred if there was a definite sale, or offer to sell, more than 1 year before the effective filing date of the U.S. application. . . ." MPEP § 2133.03(b) (2001). Thus, the MPEP supports the Federal Circuit's plain meaning construction of "on sale."

In sum, the Courts have uniformly required an actual sale or a definite offer for sale in order for the on-sale bar to be triggered. The Federal Circuit's decision in this case is not only totally consistent with the Federal Circuit's own authority, as well as that of this Court, it also does not depart from the settled understanding of the Patent Law as actually applied in the Regional Circuit Courts.

CONCLUSION

Micrel's petition for a writ of certiorari should be denied. The Federal Circuit in this case correctly applied the plain language meaning of "on sale" in Section 102(b), requiring an invention to be sold or actually offered for sale as a matter of general contract law. The Federal Circuit's conclusion that the '741 patent was not invalid under Section 102(b) was a correct application of its own law as exemplified in *Group One*, as well as of the law of this Court as set down in *Pfaff*.

Respectfully submitted,

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